

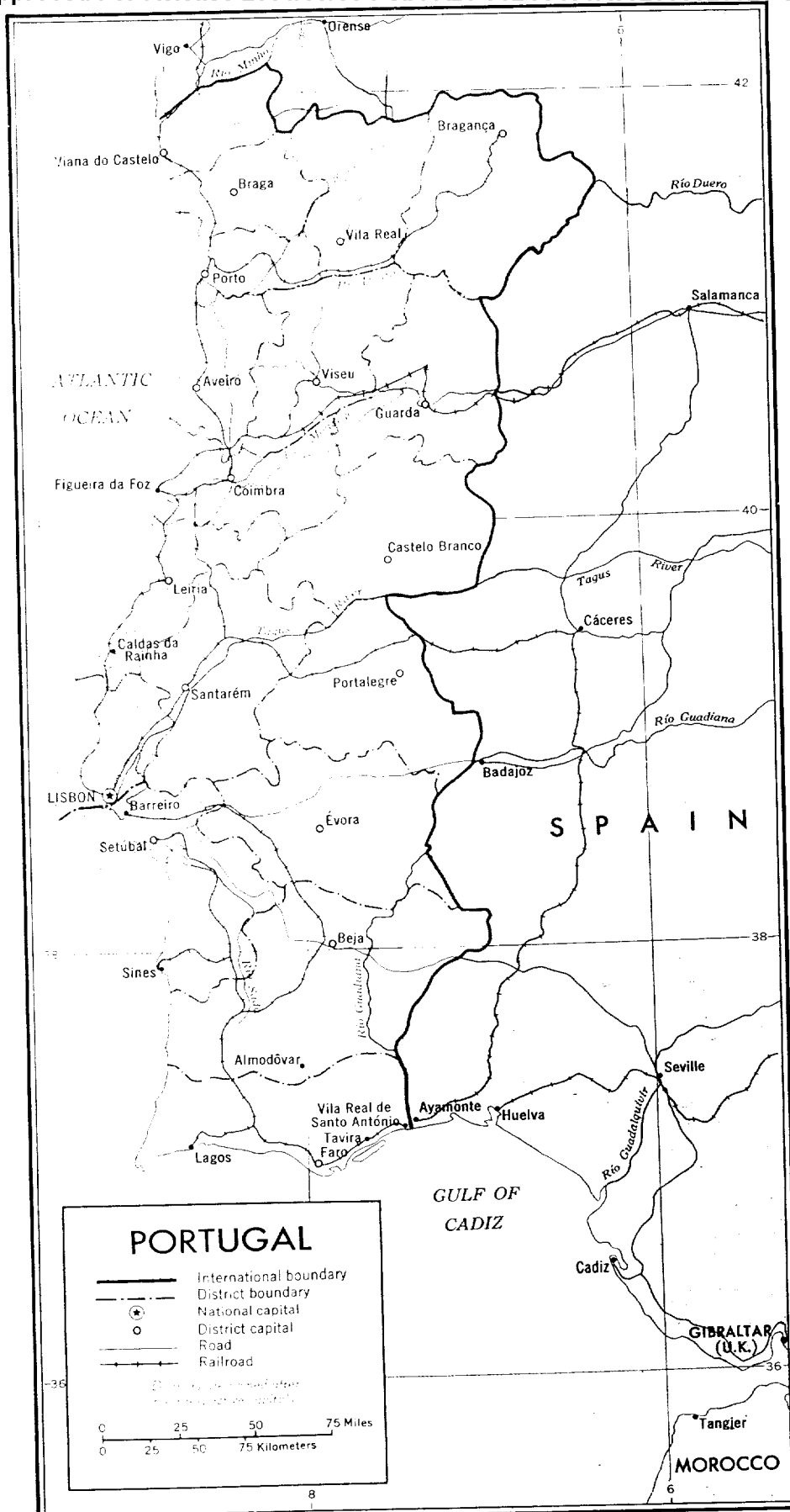
Road Map. Serious crisis in sense that moving to last democratic solution -- a government of Presidential initiative -- a lame duck. This will have serious medium term ramifications.

Basic Problem. Fractionalization of party structure. Country is to right of largest party (Socialists) but Constitution and historical factors make it impossible for them to go to center. Soares is internationalist. <sup>1. 1st 1st</sup> ~~They~~ <sup>Soares</sup> tried to bring CDS with them. PSD outflanked. CDS conservative rural constituency revolted. Soares was unyielding. Socialist - CDS coalition split. Ideological incompatibility. Lack of political tradition hurts. In process Eanes-Soares dialogue broke down. Claimed illegal. Institutional aspects put severe strain on system. Public fatigue. Centrist solution is only one; but can't get there with current party and constitutional structure. Not sure even elections will help; nobody wants. ~~Compromise~~ <sup>9</sup> compromise not sure but likely. Socialists will accept, but will mean eclipse of party government. A caretaker government in which everybody enjoys benefits of opposition while Eanes exhausts his political prestige. Even if Socialists agree to play, less than full commitment and such a government will lack broad mandate; will encounter political problems in taking decisions. Debilitating effect.

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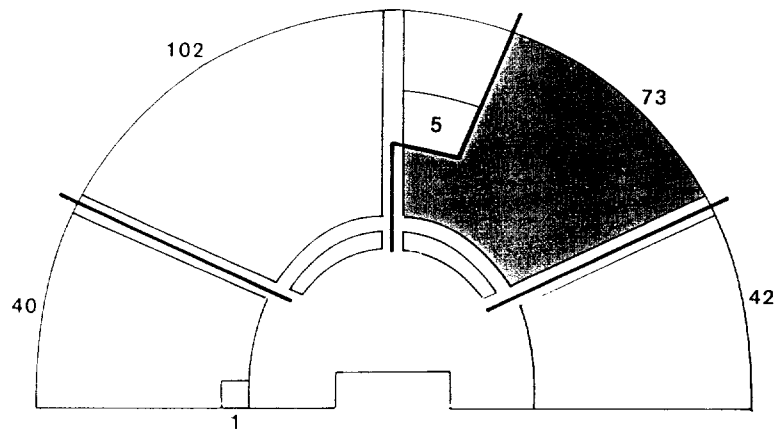
Problems: (a) Weakened capacity to implement austerity; IMF problem as targets not met;  
(b) Protract negotiations on EC;  
(c) Slow down investment;  
(d) Delay Lajes;  
(e) Contribute to further polarization as people become nostalgic for extremist solutions. Polls confirm. Can still make it, but will require renewed support from Allies. Portugal not off agenda yet.



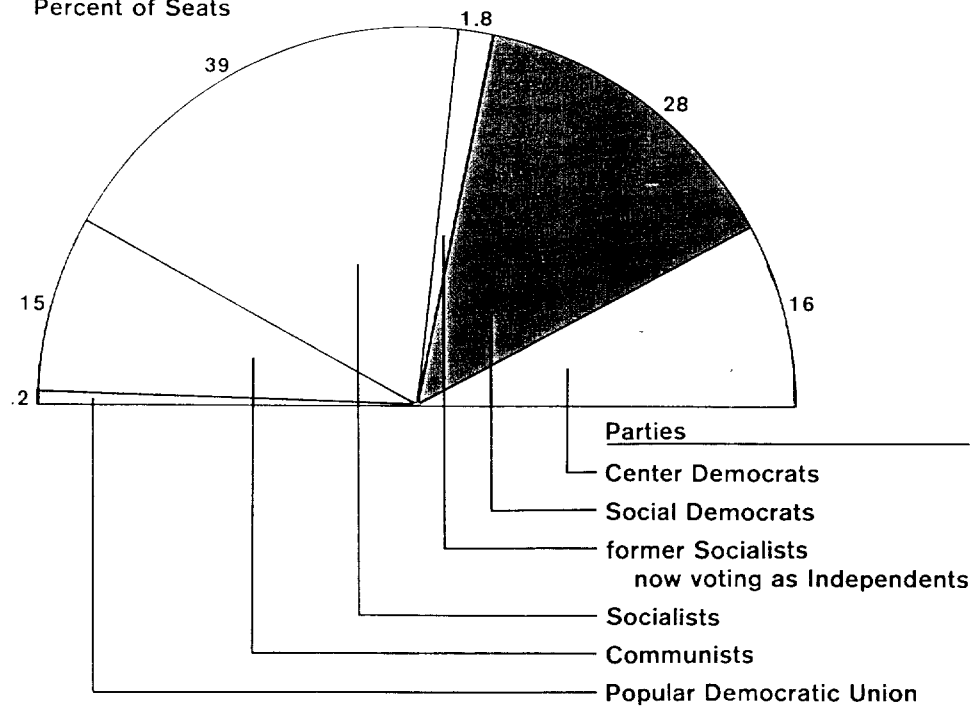
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## Portugal: Party Strength in National Assembly

Number of Seats



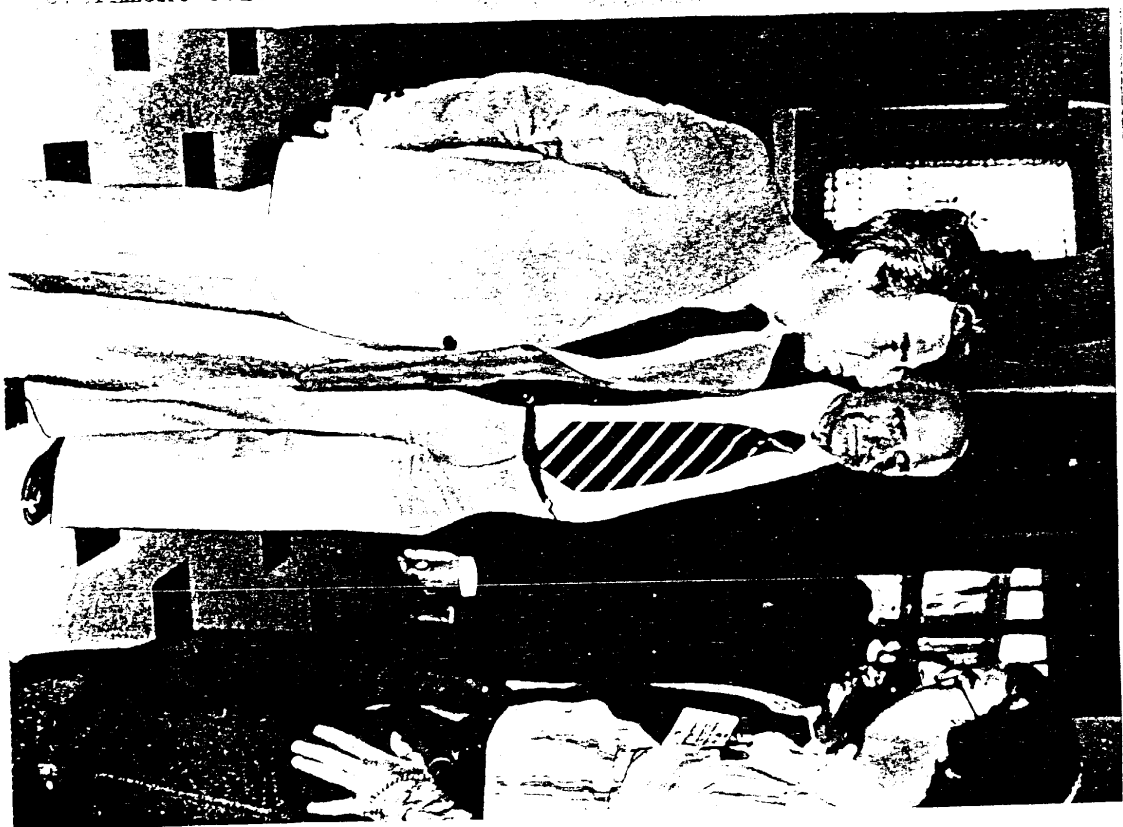
Percent of Seats



602264

<u>GROUPS</u>	<u>LEADERS</u>	<u>VOTING STRENGTH</u>	<u>OBJECTIVES IN THE CRISIS</u>	<u>TACTICS</u>
	President Ramalho Eanes		End crisis under constitution; preserve economic and foreign policy; convince detractors he can resolve political dis- putes.	Deadlines and threats; confer with groups; negotiate broad legislative mollify Soares with real concession appeal to national interest.
Portuguese Communist Party (PCP)	Alvaro Cunhal	800,000	Preserve labor-oriented leftist influence in government; draw closer to the Socialists.	Push Socialists in new government; crisis is right-left ideological st
Portuguese Socialists Party (PS)	Mario Soares	2,000,000	Preserve Socialist dominance; limit increases in presidential authority.	Stonewall, force President & other make first offers; initial tacit su new government retaining option to support.
Social Democratic Party (PSD)	Francisco Sa Carneiro	1,300,000	Outmaneuver Center Democrats as right wing bellwether; end leftist dominance.	Support "Presidential" government t cludes PSD and early elections; say Democratic blundered by participati alliance.
Center Democrats (CDS)	Diogo Freitas do Amaral	900,000	Stable solution quickly; re- furbish conservative image.	Cooperate with Eanes, seek to recon and Soares; promote conservative ag and economic policies and participa government.

1) LISBON, AUGUST 3 (AP)- Francisco Sa Carneiro, leader of the cent-right Social Democrats (left), talks with reporters thursday after meeting President Antonio Ramalho Eanes to discuss solutions to the 10 government crisis. (AP WIREPHOTO) (RM/stf. Rebelo 51845 78) 333



LSP080301-8/3-LISBON: Diogo Freitas do Amaral(L), president of Center Democrats, and Social Democratic Party leader Meneres Pimentel and Sa Carneiro(R) arrive at Belem palace for talks with Portuguese President Ramalho Eanes on the Portuguese political crisis 8/3. Eanes is trying to break the deadlock after Soares refused to form a new government.

UPI vla/ANOP

